

Tidewater Telecom, Inc.
Provider of Last Resort Retail Service
Schedule of Rates, Terms and Conditions

Section 7
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Original

Union	Camden
	Liberty
	Lincolnvile
	Lincolnvile Beach
	Morrill
	Rockland
	Union
	Waldoboro
	Warren
	Washington

B. Monthly Rates for Unlimited Flat-Rated Calling – Business Premium Service

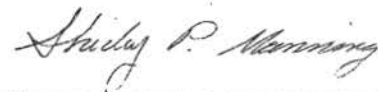
Home Exchange	Rate
Bremen	\$38.49
Damariscotta	\$38.49
New Harbor	N/A
Sheepscot	\$38.49
South Bristol	N/A
Union	\$38.49

Issued Date: July 31, 2012

Proposed Effective Date: August 30, 2012

Effective Date:

Docket No.: _____



Shirley P Manning

President



Coastal
Telco
Services



The Lincolnville Telephone Family of Companies

133 Back Meadow Rd., Nobleboro, ME 04555

207-563-9929, 207-785-9911, 207-763-9911



Residential DSL Internet

Five DSL Speeds

Available in Two Bundle Packages or without a Bundle

Packages	No Bundle	State of Maine	Continental	Download	Upload
Standard	\$37.95	\$69.95	\$79.95	768 Kbps	768 Kbps
Deluxe	\$42.95	\$74.95	\$84.95	3 Mbps	1 Mbps
Super	\$47.95	\$79.95	\$89.95	6 Mbps	1 Mbps
Power	\$57.95	\$89.95	\$99.95	10 Mbps	1 Mbps
Power Plus	\$57.95	\$89.95	\$99.95	10 Mbps	2 Mbps

State of Maine Bundle:

- Local Phone Service
- 1000 Minutes Long Distance within Maine
- Caller ID, Call Waiting & Call Forwarding
- Broadband High-Speed Internet

Continental Bundle:

- Local Phone Service
- 1000 Minutes Long Distance within the Continental US
- Caller ID, Call Waiting & Call Forwarding
- Broadband High-Speed Internet

The minimum requirements for using Broadband are:

IBM PC Compatible:

Windows XP, Vista, Win 7 & Win 8

Ethernet Network Interface

Macintosh:

Mac OS X

Ethernet Network Interface

Call 563-9911, 785-9911, 763-9911 today for more information **and start saving!**

** All services may not be available in all areas.

* Plus taxes, surcharges and fees for any additional services

* Price Subject to change

* Phone Service is required



Coastal
Telco
Services



O.P.E.N.

OPTICAL PREMISE ETHERNET NETWORK



Residential Broadband Internet

Six Synchronous Broadband Speeds
Available in Two Bundle Packages or without a Bundle

Packages	No Bundle	State of Maine	Continental	Download	Upload
OPEN 50	\$189.95	\$219.95	\$229.95	50 Mbps	50 Mbps
OPEN 30	\$149.95	\$179.95	\$159.95	30 Mbps	30 Mbps
OPEN 20	\$99.95	\$129.95	\$139.95	20 Mbps	20 Mbps
OPEN 15	\$79.95	\$109.95	\$119.95	15 Mbps	15 Mbps
OPEN 10	\$57.95	\$89.95	\$99.95	10 Mbps	10 Mbps
OPEN 6	\$47.95	\$79.95	\$89.95	6 Mbps	6 Mbps

Higher speeds available upon request

State of Maine Bundle:

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* Plus taxes, surcharges and fees for any additional services

*Phone Service Required * * Price Subject to change



Lincolnville Telephone Company
Family of Companies
Serving Maine's
Telecommunications needs since 1904



133 Back Meadow Rd
Nobleboro, ME 04555-9202
207-563-9911

April 13, 2015

Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Tidewater Telecom, Inc. certifies that it is taking reasonable steps to provide upon reasonable request broadband services at actual speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas as determined in an annual survey, and that requests for such service are met within a reasonable amount of time.

Shirley P Manning
President
Tidewater Telecom, Inc.

Community Anchor Institutions to which Tidewater Telecom, Inc. was providing broadband service in 2014, all of which were provided broadband service prior to January 1, 2014, are listed below. Broadband service was not provided to any additional Community Anchor Institutions in 2014.

1

Bremen Library Association
204 Waldoboro Road
Bremen, ME

2

Mildred S Williams Memorial Library
2957 Sennebec Road
Appleton, ME

3

Appleton Village Elementary School
737 Union Road
Appleton, ME

4

Hope Elementary School
34 Highfield Road
Hope, ME

5

Rutherford Library
2000 Bristol Road
South Bristol, ME

6

Vose Library
392 Common Road
Union, ME

7

Darling Marine Center
25 Clark's Cove Road
Walpole, ME

8

Bristol Consolidated Elementary School
2153 Bristol Road
Penaquid, ME

9

Nobleboro Central Elementary School
194 Center Street
Nobleboro, ME

10

South Bristol Elementary School
2024 State Route 129
South Bristol, ME

11

Union Elementary School
1070 Heald Highway
Union, ME

12

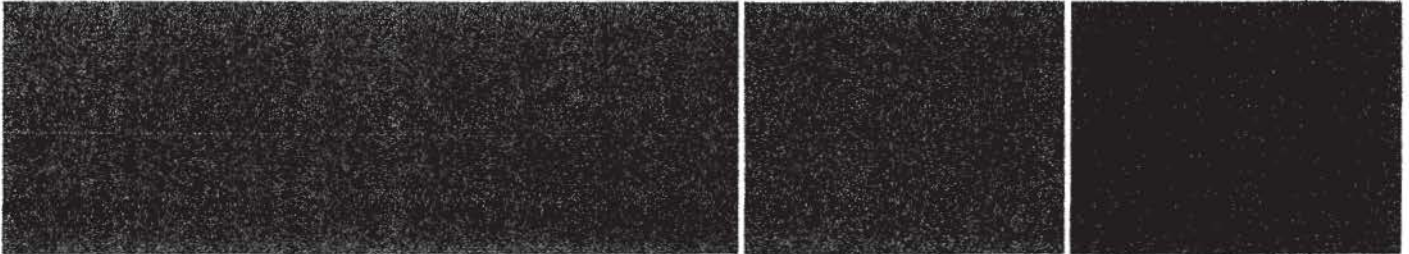
Great Salt Bay Community School
559 Main Street
Damariscotta, ME

13

Skidompha Library
184 Main Street
Damariscotta, ME

14

LincolnHealth
35 Miles Street
Damariscotta, ME



TIDEWATER TELECOM, INC.

FINANCIAL STATEMENTS

December 31, 2014 and 2013

With Independent Auditor's Report





INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Tidewater Telecom, Inc.

We have audited the accompanying financial statements of Tidewater Telecom, Inc. (a wholly-owned subsidiary of Lincolnville Telephone Company), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of operations and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tidewater Telecom, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
March 10, 2015

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TIDEWATER TELECOM, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Balance Sheets

December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 358,078	\$ 855,026
Accounts receivable	703,259	970,901
Materials and supplies	698,926	608,624
Prepaid expenses and other current assets	29,509	37,282
Due from related parties	<u>1,926,613</u>	<u>836,472</u>
Total current assets	<u>3,716,385</u>	<u>3,308,305</u>
Property, plant and equipment, at cost		
Land and buildings	6,479,233	6,439,184
Central office equipment	16,719,666	16,569,583
Cable and wire facilities	28,404,909	28,075,305
Other equipment	1,815,763	1,688,813
Telecommunications plant under construction	<u>38,552</u>	<u>106,852</u>
	53,458,123	52,879,737
Less accumulated depreciation	<u>36,419,245</u>	<u>34,719,823</u>
Net property, plant and equipment	<u>17,038,878</u>	<u>18,159,914</u>
Noncurrent assets		
Investments in nontraded stocks	192,956	185,238
Intangible, net	<u>7,418,018</u>	<u>7,732,008</u>
Total noncurrent assets	<u>7,610,974</u>	<u>7,917,246</u>
	<u>\$ 28,366,237</u>	<u>\$ 29,385,465</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND STOCKHOLDER'S EQUITY

	<u>2014</u>	<u>2013</u>
Current liabilities		
Accounts payable	\$ 77,725	\$ 96,376
Accrued expenses and other current liabilities	<u>132,834</u>	<u>151,383</u>
Total current liabilities	210,559	247,759
Deferred income taxes	<u>8,333,300</u>	<u>8,591,500</u>
Total liabilities	<u>8,543,859</u>	<u>8,839,259</u>
Stockholder's equity		
Common stock, no par value; 10,000 shares authorized; 1,853 shares issued and outstanding	-	-
Paid-in capital	24,824,759	24,824,759
Accumulated deficit	<u>(5,002,381)</u>	<u>(4,278,553)</u>
Total stockholder's equity	<u>19,822,378</u>	<u>20,546,206</u>
	<u>\$ 28,366,237</u>	<u>\$ 29,385,465</u>

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TIDEWATER TELECOM, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Statements of Operations and Accumulated Deficit

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues		
Basic local network services	\$ 2,567,503	\$ 2,687,198
Network access services	3,426,457	3,584,300
Miscellaneous	305,425	286,561
Uncollectible revenues, net of recoveries	<u>(5,463)</u>	<u>(5,738)</u>
Total operating revenues	<u>6,293,922</u>	<u>6,552,321</u>
Operating expenses		
Plant specific operations	1,171,155	1,240,616
Plant nonspecific operations	863,268	833,665
Depreciation and amortization	2,090,390	2,087,532
Customer operations	716,348	725,710
Corporate operations	<u>1,488,308</u>	<u>1,489,815</u>
Total operating expenses	<u>6,329,469</u>	<u>6,377,338</u>
Operating taxes		
Federal and state income taxes	(53,200)	7,800
Other operating taxes	<u>97,884</u>	<u>155,951</u>
Total operating taxes	<u>44,684</u>	<u>163,751</u>
Net operating (loss) income	<u>(80,231)</u>	<u>11,232</u>
Other income (expense)		
Interest and dividends	9,560	10,144
Income taxes	<u>(3,800)</u>	<u>(4,000)</u>
Net other income	<u>5,760</u>	<u>6,144</u>
Net (loss) income	<u>(74,471)</u>	<u>17,376</u>
Accumulated deficit, beginning of year	<u>(4,278,553)</u>	<u>(2,965,437)</u>
Less dividends	<u>(649,357)</u>	<u>(1,330,492)</u>
Accumulated deficit, end of year	<u>\$ (5,002,381)</u>	<u>\$ (4,278,553)</u>

The accompanying notes are an integral part of these financial statements.

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TIDEWATER TELECOM, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Net (loss) income	\$ (74,471)	\$ 17,376
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation and amortization	2,090,390	2,087,532
Deferred income taxes	(258,200)	(517,000)
Accretion of patronage capital certificates	(7,718)	(7,410)
Decrease (increase) in		
Accounts receivable	267,642	(19,214)
Materials and supplies	(90,302)	51,513
Due from related parties	(1,226,970)	530,698
Prepaid expenses and other current assets	7,773	(28,072)
Increase (decrease) in		
Accounts payable	(18,651)	42,018
Accrued expenses and other current liabilities	(18,549)	1,447
Net cash provided by operating activities	<u>670,944</u>	<u>2,158,888</u>
Cash flows from investing activities		
Extension and replacement of telecommunications plant, net	<u>(518,535)</u>	<u>(481,253)</u>
Net cash used by investing activities	<u>(518,535)</u>	<u>(481,253)</u>
Cash flows from financing activities		
Payment of dividends	<u>(649,357)</u>	<u>(1,330,492)</u>
Net cash used by financing activities	<u>(649,357)</u>	<u>(1,330,492)</u>
Net (decrease) increase in cash and cash equivalents	(496,948)	347,143
Cash and cash equivalents, beginning of year	<u>855,026</u>	<u>507,883</u>
Cash and cash equivalents, end of year	<u>\$ 358,078</u>	<u>\$ 855,026</u>

Supplemental cash flow information:

During 2014, the Company purchased certain vehicles financed with capital leases entered into by its Parent in the amount of \$136,829. The transaction was recorded in the due from related parties accounts.

The accompanying notes are an integral part of these financial statements.

TIDEWATER TELECOM, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Notes to Financial Statements

December 31, 2014 and 2013

Nature of Operations

Tidewater Telecom, Inc. (the Company), a wholly-owned subsidiary of Lincolnville Telephone Company (its Parent), derives its operating revenues primarily from providing telecommunications and broadband services in Maine. The Company extends credit at standard terms, after appropriate review, to its subscribers and domestic interexchange carriers. Telecommunications services are subject to varying degrees of regulation by the Federal Communications Commission (FCC) and the Maine Public Utilities Commission (MPUC).

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Regulatory Accounting

The Company is subject to regulation of rates and other matters by the FCC and the MPUC. The Company follows the accounting prescribed by the Uniform System of Accounts of the FCC and the MPUC and Financial Accounting Standards Board Accounting Standards Codification (ASC) 980, *Regulated Operations*. This accounting recognizes the economic effects of rate regulation by recording costs and a return on investment, as such amounts are recovered through rates authorized by regulatory authorities. The Company annually reviews the continued applicability of ASC 980 based on the current regulatory and competitive environment.

Cash and Cash Equivalents

All liquid investments with an original maturity of three months or less are considered to be cash equivalents. The Company maintains its cash in bank accounts which may exceed federally insured limits; however, the Company's policy is to invest cash in excess of those limits in government-backed securities or accounts collateralized by bank-owned U.S. government securities or surety bonds. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant risk with respect to these accounts.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

TIDEWATER TELECOM, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Notes to Financial Statements

December 31, 2014 and 2013

Materials and Supplies

Materials and supplies are valued at the lower of first-in, first-out (FIFO) cost or market.

Depreciation

Depreciation is computed on average plant investment by primary plant accounts using the straight-line method over the estimated useful lives of the assets. The Company assesses the estimated remaining useful lives of assets on an annual basis.

Capitalization Policy

Additions to plant and replacements of retirement units of property are capitalized at original cost, which includes labor, material and overhead, and direct charges such as equipment costs. Plant additions were reduced by grant proceeds of approximately \$338,000 and \$125,000 in 2014 and 2013, respectively.

Investments in Nontraded Stocks

The Company owns Rural Telephone Finance Cooperative (RTFC) Patronage Capital Certificates (PCCs) that are recorded at their present value. The Company is accreting the PCCs to face value over a period of ten to twenty-five years, based on the expected repayment dates. These PCCs are included in investments in nontraded stocks in the balance sheets and the annual accretion is included in interest and dividend income in the statements of operations.

Intangible Asset Subject to Amortization

The intangible asset subject to amortization consists of a franchise license which is being amortized by the straight-line method over the asset's estimated useful life of thirty years.

Sales Taxes

The Company reports sales taxes on a net basis; accordingly, they are recorded as a liability when collected from customers and excluded from revenues and expenses.

Income Taxes

Deferred income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The Company files a consolidated tax return with its Parent. Income taxes are allocated to the Company based on the statutory rates of the consolidated group applied to its separate income before income taxes.

As of December 31, 2014, tax years after 2010 remain subject to examination by federal and state authorities.

TIDEWATER TELECOM, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Notes to Financial Statements

December 31, 2014 and 2013

Revenue Recognition

Operating revenues are recognized when services are provided to customers.

Certain interstate and intrastate terminating network access revenues for the Company are set at predetermined levels subject to the provisions of the FCC Order on Intercarrier Compensation and Universal Service Fund. The effect reduces these network access revenues over a ten-year period. The remaining interstate revenues are based on estimates of the Company's telephone plant investment, operating expenses, and allowable rates of return on investments allocable to those services. Nationwide pooling of the revenues is administered by National Exchange Carrier Association (NECA), of which the Company is a member. NECA files interstate access charge tariff schedules with the FCC and accumulates and distributes pooled revenues, derived from interstate access services, to its members. The Company records the effect of NECA settlements, including retroactive adjustments, if applicable, upon notification of such settlements from NECA.

Intrastate originating network access service revenues result from charges to interexchange carriers based on applying intrastate access tariffed rates to intrastate access usage.

Subsequent Events

For purposes of preparation of these financial statements in conformity with U.S. generally accepted accounting principles, the Company has considered transactions or events occurring through March 10, 2015, which was the date the financial statements were available to be issued.

2. Telecommunications Plant Adjustment

A telecommunications plant adjustment of \$17,332,257, net of accumulated amortization of \$6,239,934 and \$5,261,121 at December 31, 2014 and 2013, respectively, which is included in property, plant and equipment in the balance sheets, is a regulatory adjustment representing the difference between the fair value of the property, plant and equipment acquired and the original cost of the plant, less the associated depreciation. The Company is amortizing the adjustment over a period of seven to thirty years which approximates the estimated remaining useful lives of the underlying assets. Amortization expense included in depreciation and amortization expense in the statements of operations was approximately \$978,800 in 2014 and 2013. This amortization is not recoverable through rates, as mandated by a stipulated agreement with the MPUC.

TIDEWATER TELECOM, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Notes to Financial Statements

December 31, 2014 and 2013

3. Investment in Nontraded Stocks

Investment in nontraded stocks consists of RTFC PCCs. The noncash PCCs accrete on an annual basis and will be redeemed at their face value through 2035. Total accretion in 2014 and 2013 was \$7,718 and \$7,410, respectively. Total PCCs received through December 31, 2014 and 2013 amounted to a face value of \$312,806 and recorded present value of \$192,956 and \$185,238, respectively.

4. Intangible Asset Subject to Amortization

The intangible asset consists of a franchise license of \$9,419,705, net of accumulated amortization of \$2,001,687 and \$1,687,697 at December 31, 2014 and 2013, respectively. Amortization expense approximated \$314,000 in 2014 and 2013. Estimated amortization expense through 2019 is as follows:

2015	\$ 314,000
2016	314,000
2017	314,000
2018	314,000
2019	314,000

5. Income Taxes

The actual tax expense differs from that computed at a federal rate of 34% primarily because of state income taxes and state high-tech credits.

The components of income tax expense (benefit) at December 31 are as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
<u>2014</u>			
Federal income tax	\$ 173,500	\$ (211,900)	\$ (38,400)
State income tax	<u>35,300</u>	<u>(46,300)</u>	<u>(11,000)</u>
	<u>\$ 208,800</u>	<u>\$ (258,200)</u>	<u>\$ (49,400)</u>
<u>2013</u>			
Federal income tax	\$ 422,300	\$ (413,100)	\$ 9,200
State income tax	<u>106,500</u>	<u>(103,900)</u>	<u>2,600</u>
	<u>\$ 528,800</u>	<u>\$ (517,000)</u>	<u>\$ 11,800</u>

Amounts payable to the parent for current income taxes are included in due from related parties at December 31, 2014 and 2013.

TIDEWATER TELECOM, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Notes to Financial Statements

December 31, 2014 and 2013

The income tax expense (benefit) is allocated for the years ended December 31 as follows:

	<u>2014</u>	<u>2013</u>
Operating income	\$ (53,200)	\$ 7,800
Other income	<u>3,800</u>	<u>4,000</u>
	<u>\$ (49,400)</u>	<u>\$ 11,800</u>

The components of the deferred tax liability (asset) at December 31 are as follows:

	<u>2014</u>	<u>2013</u>
Temporary differences related to:		
Depreciation and amortization	\$ 8,379,700	\$ 8,664,900
Other	<u>(46,400)</u>	<u>(73,400)</u>
	<u>\$ 8,333,300</u>	<u>\$ 8,591,500</u>

6. Related Parties

The Company provides to and receives from related parties through common ownership various network, management, and operation services under an intercompany management services agreement, which has been approved by the MPUC. Charges between these related parties approximated:

	<u>2014</u>	<u>2013</u>
Provided to:		
Coastal Telco Services, Inc.	\$ 730,000	\$ 820,000
Lincolnville Communications, Inc.	<u>286,000</u>	<u>282,000</u>
Received from:		
Coastal Telco Services, Inc.	<u>\$ 3,447,000</u>	<u>\$ 3,505,000</u>

The Company, its Parent and its subsidiaries' assets are collateral in a loan agreement entered into by its Parent. The loan is due in quarterly installments through June 30, 2018, when the balance is due in full. The Parent's outstanding balance on the loan was \$15,169,822 and \$17,169,822 at December 31, 2014 and 2013, respectively. During 2014, the Company purchased certain vehicles financed with capital leases recorded on its Parent. The Parent's outstanding balance on these capital leases was approximately \$131,000 at December 31, 2014. There were no capital leases at December 31, 2013. The Company does not presently expect to be required to perform on its obligations under the loan agreement.

The Company and its affiliate through common ownership, Lincolnville Networks, Inc., participate in a combined study area for the nationwide pooling of certain revenues. All settlements are received or paid by Lincolnville Networks, Inc. and amounts allocated to the Company are recorded in the due from related parties.

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There was no Management Letter issued in connection with the audit of the December 31, 2014 financial statements of Tidewater Telecom, Inc.